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C O N F I D E N T I A L SECTION 01 OF 05 TOKYO 006824

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SUBJECT: TAKUMI NEMOTO AND ABE'S EVOLVING ECONOMIC POLICY  
STRUCTURE

REF: A. TOKYO 5903

[1](#)B. TOKYO 6250

[1](#)C. TOKYO 6764

Classified By: Ambassador J. Thomas Schieffer for reasons 1.4 b/d.

Summary

[1](#)1. (C) Prime Minister Abe's initiatives to strengthen the Kantei (Prime Minister's Office) in the policy-making process have created a number of new economic players, one of the most important being Special Assistant to the Prime Minister Takumi Nemoto. There do not appear to be plans for Nemoto to play a major coordinating role in economic policy. Instead, he has taken on a few special projects, where his responsibilities are tangled with those of key economic institutions, cabinet ministers, and special councils. Many of our contacts have judged Nemoto's appointment as unlikely to bring better coordination or effectiveness in the near term. We agree. End summary.

PM Abe Beefs Up the Kantei

[1](#)2. (SBU) At the most senior levels of Japan's economic bureaucracy, the Council on Economic and Fiscal Policy (CEFP) has been the key decision-making body and policy sounding board for the prime minister since its creation in 2001. The ministers from the Ministry of Finance (MOF), Ministry of Economy, Trade, and Industry (METI), Ministry of Internal

Affairs and Communications (MIC), the governor of the Bank of Japan (BOJ), the Chief Cabinet Secretary, and four private sector representatives are members of the CEEP, which Minister for Economic and Fiscal Policy Hiroko Ota leads. Prime Minister Abe routinely attends the council's biweekly meetings.

13. (SBU) Other influential bodies include the ruling Liberal Democratic Party's (LDP) Tax Policy Committee, often staffed by people with senior-level ministry experience, the LDP's Policy Research Council, and the Council for Promotion of Regulatory Reform (CPRR) -- although the non-governmental experts on the CRR frequently appear stymied by the bureaucracy. Within the Kantei, the Chief Cabinet Secretary and Assistant Chief Cabinet Secretary have played advisory roles, as have several Personal Secretaries to the Prime Minister, who are drawn from relevant ministries.

14. (C) To that existing structure, Abe has introduced several significant changes. Most notably, he added five Special Assistants to the Prime Minister, four of whom are Diet members. The five are Takumi Nemoto (economic and fiscal policy), Yuriko Koike (national security), Kyoko Nakayama (North Korean abductee issue), Eriko Yamatani (education reform), and Hiroshige Seko (public affairs). Quickly dubbed "Abe's Rangers" (after the five Power Rangers) by some in the press, the Special Assistants have each been authorized small staffs with members seconded from ministries relevant to their portfolios.

15. (C) Abe also created a new type of secondment mechanism for some staff members working for the Special Assistants. Bureaucrats who were selected under this new staffing

TOKYO 00006824 002 OF 005

mechanism were required to pledge their allegiance to the Kantei, rather than their home ministries. They were also explicitly warned that they might find themselves unwelcome back in their home ministries when their stints at the Kantei end. In all, ten bureaucrats were selected under this new mechanism. Each Special Assistant received one of these Kantei-allied bureaucrats; the remaining five have been assigned their own special projects within the Kantei policy process. (Comment: Nonetheless, some of our contacts report ministries encouraged people to apply and assured them of their long-term job prospects in order to keep ministry interests represented at the senior staff level.)

16. (C) Finally, in selecting his Personal Secretaries, PM Abe selected a non-career bureaucrat, Yoshiyuki Inoue, as Chief Secretary, replacing PM Koizumi's long-term aide Isao Iijima. In a rare tale for pedigree-conscious Japan, Inoue, whose father was ill and whose mother supported the family working at a low-paid factory job, did not attend university after high school. Instead, Inoue entered the state-run Japan National Railways, where he was trained as an engine driver on bullet trains. He later earned a degree via correspondence from the economics department of Nihon University. Inoue joined the Cabinet Office in a staff position after his position with the Japan National Railways was eliminated following privatization. More conventionally, Abe's other Personal Secretaries are Division Director-level officials (equivalent to Office Directors in the USG) seconded from MOF (Kazuho Tanaka), METI (Takaya Imai), MOFA (Hajime Hayashi), and the National Police Agency (Shigeru Kitamura).

Toward a Japanese NSC/NEC?

17. (SBU) The Japanese media have paid considerable attention to PM Abe's Kantei expansion, which is often described as a move toward the creation a "White House-like structure" with a National Security Council (NSC). Early reporting (and proposals) lacked detail about the scope, timing, and proposed functions of the new organization. The administration has announced that PM Abe will chair a

high-level group to study the concept for possible implementation in 2008 or 2009.

¶8. (C) Although many in the Japanese media tend to lump together proposed changes in the Kantei's economic and security decision-making, there appears to be no plan to create a coordinating role for Economic and Fiscal Policy Special Advisor Nemoto. Nemoto, for his part, has not claimed such a current or future role during television or print interviews.

What Does Nemoto Do?

¶9. (SBU) Nemoto has explained in interviews with the press and Embassy officers that his portfolio centers on formulating a national growth strategy by spurring innovation and fleshing out PM Abe's "Asia Gateway" concept. Moreover, he has stated that he has a responsibility to work with LDP politicians and to explain the growth strategy to the outside world. Abe's "Asia Gateway" has been described in the media as an economic, cultural, and information exchange, but a

TOKYO 00006824 003 OF 005

Cabinet Office official told us it would involve greater "openness" by improving Japanese ports and airports to facilitate Japan's role as a gateway to business in Asia.

¶10. (SBU) Asked by a newspaper journalist if his position created a second, competing track to the ministries in policy formation, Nemoto replied that he would not be involved in disputes over authority between ministries. Instead, he would serve as a conduit to the Prime Minister for information and policy wisdom from outside the bureaucracy -- a so-called "dual ladder" for information. (Comment: This is presumably the role the CEFP's private sector members already have been playing, with direct access to the Prime Minister.) Pressed directly about his relationship to Minister of Economic and Fiscal Policy Ota, the coordinator of the CEFP, Nemoto stressed the need for close consultation, noted the vastness of the economic policy landscape, and said he had difficulty imagining that the two of them would bump into each other in such a large policy space.

Kantei Decision-making: Wiring Diagram or Spaghetti Bowl?

¶11. (C) Nemoto sits as an observer in the CEFP, according to a Cabinet Office contact. PM Abe reportedly decided on a division of labor between Minister Ota and Nemoto that puts Ota in charge of the CEFP and its budget-oriented agenda and Nemoto in the lead of the growth strategy. As such, Nemoto will not be a formal member of the CEFP, and will only participate when the growth strategy is discussed.

¶12. (C) Despite PM Abe's reported division of labor between Ota and Nemoto, considerable overlap remains between the CEFP, Nemoto, and other senior economic players. For example, our Cabinet Office contact stated that the Council under PM Koizumi focused on domestic issues of deflation and financial sector problems, but that the Council under PM Abe will focus on three broad pillars: openness and innovation; fiscal consolidation; and "second chance" programs to address social disparity issues. As noted previously, Nemoto sees himself as having a lead role in formulating strategies to promote openness and innovation. In addition, Minister of State for Okinawan Affairs Sanae Takaichi has among her responsibilities the title of Minister of State for Innovation. Regarding "second chance" programs (refs A and B), the CEFP will have to compete or coordinate with the "second chance" interministerial committee PM Abe formed during his campaign, which is now headed by Financial Services Minister Yuji Yamamoto (dual-hatted as "Second Chance" Minister), and the "second chance" parliamentary committee formed by now Minister of Internal Affairs and Communications (MIC) Yoshihide Suga. Two secretariats to support the "second chance" interministerial committee also exist -- one in the Assistant Chief Cabinet Secretary's

office and one under the auspices of the Cabinet Office but physically co-located with the Financial Services Agency and run by a bureaucrat seconded from MIC.

¶13. (C) Further complicating the picture is the proliferation of councils in PM Abe's Kantei. A new "Asia Gateway Council," led by Matsushita Electric Industrial Corporation Chairman Kunio Nakamura, will report to Nemoto. Nemoto will not chair, however, the new "Council on Strategy

TOKYO 00006824 004 OF 005

for Innovation 25," which met for the first time October 26 to discuss long-term strategies to bolster technological and medical services innovation by 2025. New councils on education revitalization and health care, as well as the one studying the creation of an NSC-style body, have also been formed. A METI DG bemoaned to us that in the area of health services, there are four separate councils reviewing policies in overlapping fashion, complicating his work and lowering the likelihood of meaningful reform.

#### Impact of the New Special Advisors and Kantei Structure

¶14. (C) In conversations over the past two months about how the new Special Advisors are affecting economic policy, many working-level ministry contacts have grouched about the additional layers now present within the bureaucracy, noting the potential confusion the additional structures have brought. Officials in implementing agencies have dismissed the reach of the new bodies, concluding they will see few changes, and others have told us that they see -- and foresee -- no change in areas where working relationships between the ministries and the LDP have been honed over the years, such as in tax policy. Reporters have been more blunt, telling us flatly that the new Special Advisors have not been effective, or that they can only be successful in far smaller roles, such as Koike's role as an envoy to NSA Hadley just after PM Abe took office.

¶15. (C) Nearly all of our contacts have pointed out that the small size of the Special Assistants' staffs, and the time it has taken to fill positions, has severely limited their effectiveness to date. Only 14 bureaucrats, for example, work directly for Nemoto. Minister Ota, in contrast, supervises three Directors-General, each with a staff of 50 to 80 members, to run the CEFP. Accordingly, Nemoto's record to date is thin, and his first concrete proposal to the CEFP -- to bolster the "Asia Gateway" concept by opening ports and airports 24/7 -- has been sniped at in the media by bureaucrats who have noted they laid the groundwork for 24-hour operations in 2001 and 2005 initiatives but that the demand simply does not exist. Moreover, CEFP private sector member Naohiro Yashiro told us Nemoto's "Asia Gateway" presentation to the CEFP was "ambiguous" and "bloated," said he did not understand the concept despite the presentation, and said another member told Nemoto he should define a specific and achievable project.

¶16. (C) Some contacts, however, characterize the current changes as one more step in a multi-year process of strengthening the Kantei, and that it is becoming a better career move for bureaucrats to spend time there. They note, for example, that Abe's Personal Secretary Hayashi (a well-known Embassy contact from his days as the Director of MOFA's Second North American Division) is a protege of MOFA Vice Minister Yachi. As the Kantei attracts more and better people, they argue, its policy strength vis-a-vis the ministries will grow, too.

#### Comment

¶17. (C) We agree that the current changes at the Prime Minister's Office are part of a long-term effort toward

TOKYO 00006824 005 OF 005

strengthening the Kantei's capabilities. In the near term, however, Nemoto's addition to the economic decision-making structure appears to be detracting from, and very well may continue to hamper, the Kantei's enhanced economic policy coordination capabilities achieved via the CEFP. We see the overlaps among the Nemoto portfolio, the CEFP, new councils, and special ministerial portfolios as part of a seeming pattern where Abe has not matched his forward-leaning public commitments to certain economic goals with clear priorities and decisions (ref C).

SCHIEFFER